Distr.
GENERAL

IDB.22/SR.2
5 June 2000

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Twenty-second session

SUMMARY RECORD OF THE 2nd MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 30 May 2000, at 3 p.m.

President: Mr. ORTIZ (Spain)

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V.00-54570 (E)

Distr.: 4 July 2000

The meeting was called to order at 3.15 p.m.

ORGANIZATION OF WORK

1. **The PRESIDENT** said that the Bureau had decided to recommend that the Board should follow its practice at previous sessions and hold informal in-session consultations to facilitate the drafting of consensus decisions. The Bureau had also recommended that Mr. F. Urruela Prado (Guatemala), in his capacity as Vice-President, should chair the consultation meetings.

2. If he heard no objection, he would take it that the Board accepted those recommendations.

3. *It was so decided.*

ANNUAL REPORT OF THE DIRECTOR-GENERAL ON THE ACTIVITIES OF THE ORGANIZATION IN 1999 *(continued)* (IDB.22/2 and Corr.1 and Add.1)

4. **Mr. SHOUKRI** (Egypt) said that his country appreciated the efforts of the Director-General and the Secretariat to continue the Organization's activities in the current difficult financial circumstances, which were affecting UNIDO's ability to deliver technical assistance projects. Egypt had always paid its contributions in good time, and had decided to approve the use of its unutilized balances for 1992-1993 and 1996-1997 for the financing of integrated programmes. He urged Member States to help alleviate UNIDO's financial difficulties by paying their contributions in good time and paying off their arrears. Egypt appreciated the Secretariat's efforts to find new solutions to the Organization's financial problems and encouraged their continuation, while stressing the importance of full consultation to achieve maximum transparency.

5. The necessary financial resources had to be found to finance integrated programmes for the benefit of the developing Member States. The low level of voluntary contributions and the small proportion of the regular budget that could be used for technical cooperation activities gave cause for concern. It was urgent to find additional sources of financing.

6. He welcomed the information on the integrated programmes in the Director-General's report, and the large number of such programmes for the African continent. However, more attention should be given to intensifying programmes for the Arab countries as part of the strategy to strengthen their industry. In that connection he welcomed the work of the Arab Regional Forum held in Cairo from 6 to 7 November 1999, attended by the Minister for Industry and Technological Development of Egypt together with representatives of UNIDO and the Arab League. An important exchange of views on industrial development in the Arab region had taken place.

7. He supported the draft programme for the year 2000, including efforts to support the economy of Palestine and to strengthen the peace process in the Middle East, and hoped that the necessary resources would be found to implement the projects concerned.

8. **Mr. CIENIUCH** (Poland) thanked the Director-General for his informative review of UNIDO's transformation process. The Organization was now in incomparably better shape than at the outset of the Director-General's tenure of office. The Director-General's substantial and useful Annual Report for 1999 was a sign that UNIDO was heading in the right direction, towards more specialized services and the adaptation of its activities, particularly within the integrated programmes and service modules, to the needs and demands of both recipient and donor countries. Such an approach would result in a strengthened role for UNIDO as a tool to assist the industrialization and restructuring process in developing countries and countries with economies in transition.

9. The problem of UNIDO's financial situation was a serious, long-standing one. The Polish Government had always paid its assessed and voluntary contributions regularly. His delegation noted the volume of unpaid assessed contributions and the issue of arrears. It also noted that the level of regular budget cash resources was lower than in previous years and that the collection rate for assessed contributions in 2000 was unfavourable as compared with 1999 and 1998.

10. Turning to the question of the integrated technical cooperation programmes, he said that his Government endorsed the new approach of promoting integrated packages of UNIDO services in developing countries. That approach enabled recipients to obtain a more tangible package of demand-driven technical assistance and gave UNIDO a chance to become a real partner for recipient Governments in their efforts to cope with development problems.

11. An impressive number of integrated programmes had been prepared by UNIDO staff in a short time. Priority attention had rightly been given to the African region; however, more emphasis should be put on assisting the countries in transition as well, particularly those with the lowest gross domestic product (GDP) per capita, which in some parts of central Asia was as low as in the least developed African countries. Many of the countries concerned were suffering from a very deep recession caused by the legacy of the past and the change of economic system. Such countries, particularly those with Governments fully committed to economic transformation, should obtain more favourable treatment with respect to funds for the preparation and implementation of integrated programmes.

12. The gap between the number of programmes prepared and those that had attracted the attention of donors remained wide. The question of what should be done to increase the pool of financial resources required for the implementation of such programmes was one not only for the Secretariat but also for the donor communities. While the collection rate of funds for integrated programmes was impressive, the needs of the countries concerned were far from having been met. Every effort should therefore be made to convince major donors and international financial institutions to establish a pool of resources for integrated programmes. Equally important would be to obtain recognition of UNIDO's status as an implementing agency in areas such as small and medium-sized enterprise development, investment and technology promotion, cleaner production and energy efficiency. UNIDO had been appointed the implementing agency in the phase-out programme funded from the resources of the Montreal Protocol. The possibility of obtaining a similar mandate, for example, from the Global Environment Facility (GEF) and European Union programmes should be examined.

13. Joint arrangements with bilateral development agencies for the preparation, financing and implementation of UNIDO's integrated programmes could be examined. Discussions should be based on the fact that the ownership of integrated programmes was assigned not to UNIDO but to the recipient countries, and each development agency should be given opportunities to participate in their financing and implementation.

14. Not all eligible countries would benefit from the new integrated approach of UNIDO, in view of the Organization's limited capacity. However, there was a declining trend in individual projects processed by UNIDO and in some countries the Organization had ceased to provide assistance. An alternative strategy should perhaps be developed for countries unable to benefit from the integrated programme scheme. The Secretariat should continue with the promotion of individual projects along the lines of UNIDO's service modules in countries not expected to be covered by integrated programmes.

15. He welcomed plans to increase the focus on countries with economies in transition in 2000.

16. **Mr. ABE** (Japan) said that industrialization was the cornerstone of sustainable development, which was the key to the fight against poverty. His Government appreciated the financial and administrative transformations carried out by the Secretariat under the Director-General's strong leadership and hoped that UNIDO would continue its efforts and become a model within the United Nations system.

17. His delegation welcomed the successful introduction of the new financial system and the efforts to strengthen field representation, as shown by the 44 per cent increase in resources allocated to field programmes in the budget for the current biennium and the appointment of Headquarters staff to posts in UNIDO field offices and regional centres.

18. UNIDO's future rested on the successful implementation of integrated programmes. Nine new such programmes had been approved by the Organization's management, bringing the total number so far approved to 42 at an estimated total cost of $289 million. However, the financing of those programmes had thus far proved less than satisfactory. Voluntary contributions committed by 31 December 1999 amounted to only $28 million. Serious consideration would have to be given by Member States and the Secretariat to ways of closing that gap. However, to avoid spreading limited resources too thinly, priorities among the programmes must emerge and some programmes would have to be slimmed down or removed if they could not attract enough funding for their full implementation.

19. In his message at the beginning of the Annual Report for 1999, the Director-General had raised the question of the criteria on which one should base the selection of the next countries to benefit from technical cooperation. That question needed serious consideration to ensure the Organization's transparency and accountability. His delegation welcomed the in-house work going on within the Secretariat to select suitable and affordable programmes and the efforts being made to mobilize financial resources in a number of ways such as cost-sharing by recipient countries, co-funding with loans from the World Bank and other international financial institutions or grant aid from the United Nations Development Programme (UNDP), for instance, as well as active reporting to all participating donors both at field level and at Headquarters.

20. Japan intended to continue contributing to selected components in the integrated programmes appropriate for multilateral-bilateral cooperation within the context of South-South cooperation and small- and medium-scale private sector development.

21. His Government also recognized the necessity of further negotiations between UNIDO and the GEF to strengthen UNIDO activities in the area of the environment, a very important element of the Business Plan.

22. His Government had supported the General Conference decision on the use of the unutilized balances of appropriations for the 1992-1993 and 1996-1997 bienniums with a view to accelerating the implementation of the integrated programmes. However, that should be regarded as a strictly exceptional measure. Assessed contributions should continue to be used for Secretariat expenses and voluntary contributions for technical co-operation programmes.

23. The non-payment or delayed payment of assessed contributions by Member States had a bad effect on UNIDO's activities related to the regular budget, and his delegation urged Member States to pay their outstanding assessed contributions as soon as possible.

24. He wished to reiterate the need for a system to stabilize the implementation of activities within the regular budget. The Financial Regulations should be amended so that programmes planned but not yet implemented due to the shortfall in contributions could be funded with the approval either of the Board or of the General Conference. Japan was taking an active part in the discussions on that matter and hoped that more stable funding for the future would result.

25. The Japanese Government, together with the Government of Malaysia, the United Nations, UNDP and the Coalition for Africa, had organized the Third Asia-Africa Forum (AAF III) in Kuala Lumpur from 23 to 25 May. That Forum had served as a follow-up to the Second Tokyo International Conference on African Development (TICAD II), held in 1998. The Forum had discussed the transfer of information technology to the developing African countries.

26. In addition, the Government of Japan was sponsoring, with UNIDO as the implementing agency, an Asian-African Information and Technology Transfer Centre, aimed at establishing an investment database for the private sectors in Africa and Asia and also organizing Asian investment missions for Africa.

27. His Government welcomed the "UNIDO Exchange" initiative and hoped that UNIDO would play a major role in assisting Africa's entry into the world of information technology.

28. **Mr. LAASSEL** (Morocco) said that he would touch on items 4, 5, 6 and 7 of the agenda in his statement as well as item 3.

29. His delegation was pleased to note the improved, more accessible presentation of the Director-General's Annual Report. UNIDO had succeeded in its reforms, and the integrated programmes provided a new approach to the industrialization of the developing countries. However, only 14 per cent of the total budget of about $200 million for the 29 integrated programmes was funded, with a further 7 per cent announced. Even though the financial resources available for technical cooperation from the Industrial Development Fund (IDF) had increased by 50 per cent over the 1997 level, they still fell below the 1995 level. Traditional industrialization was no longer attractive to the international community and technical cooperation machinery was becoming increasingly outdated and ineffective.

30. Over the last twenty years there had been widespread though unjustified doubts about the role of industry as an engine for growth as against that of the service industry, which provided much employment. The effects of unrestrained industrialization on the environment, health and the quality of life attracted much criticism. But industry was essential to accelerate the growth of the developing countries and it was the only way to create sufficient employment, combat poverty and mitigate the risk of conflict. What was needed was an effective strategy combining industrial and training policy.

31. UNIDO must play its full role within the United Nations system as the coordinating agency for industrial development. It should strengthen its cooperation with other international organizations in promoting sustainable industrial development through projects aimed at creating a competitive economy that would generate employment in a healthy environment. Appropriate infrastructure and vocational training should be provided. That could only be done properly with the participation of multilateral structures such as the Montreal Protocol, the Kyoto Protocol and the Global Environment Facility.

32. Another way to strengthen technical cooperation was to improve the reliability of resources for the IDF. Since industrial development was of interest to all Member States, all should contribute a share to the IDF calculated on a basis similar to the one used for the Organization's regular budget. The Secretariat should submit precise annual estimates of its needs for the implementation of integrated projects, taking into account the participation of beneficiary States in financing their own programme according to the principle of cost-sharing. The amount thus determined should be distributed equitably among Member States. That new mechanism should not, however, exclude the other methods already in use.

33. UNIDO's financial situation still gave cause for concern; the funds available at 20 May 2000 amounted to only about one month's operating expenses. Only 33 countries including four LDC's had paid their contributions for the regular budget and 64 Member States had lost their right to vote. He therefore urged all Member States to pay their assessments in full and on time and appealed to the Director-General to pursue his efforts to apply the proposed payments plan.

34. Two components of the integrated and modular programmes to improve competitiveness in the industrial sector in Morocco were being implemented with assistance from Switzerland and Italy, to which he expressed his thanks. However, his delegation was concerned as to the implementation of the other components of the programme. Morocco had already pledged 31 per cent of the financing for the programme on the basis of cost-sharing and he appealed to the Director-General to pursue his efforts to mobilize the necessary resources.

35. **Mr. NOBILO** (Croatia) commended the achievements of the Director-General and his team in reforming and streamlining UNIDO. Discipline and restraint in financial matters had been introduced, and performance had improved overall. The priorities adopted had resulted in an Organization that was more client-orientated, modern, flexible and decentralized, as the Director-General had rightly concluded in his Annual Report.

36. Croatia supported the integrated programmes and hoped that adequate financial support would be made available for them.

37. Croatia had been a member of UNIDO since becoming independent in 1992. As a country with a war behind it and a great need for reconstruction, it appreciated the help it had received when it was most needed. Croatia's transition from a socialist to a market economy had not been smooth because the war had destroyed much of its industrial capacity and had been followed by unrestrained privatization.

38. Today, with a change of government, Croatia was determined to implement principles similar to those adopted to reform UNIDO: financial discipline, the streamlining of activities and the setting of priorities. It was developing integrated programmes and trying to improve relations with its neighbours. Croatia had enjoyed productive cooperation with UNIDO and achieved excellent results. Nevertheless, in the last few years the level of cooperation had decreased, partly because of Croatia's own past political image. There were now only a few ongoing programmes with UNIDO support. A cleaner production project had recently been completed and a centre for cleaner production established. However, Croatia would like to intensify its cooperation with UNIDO. It placed special emphasis on programmes from the environmental portfolio, and also believed in the development of the private sector. That could be achieved through an enterprise efficiency project and the establishment of an industrial subcontracting and partnership exchange in which small and medium enterprises would be able to find counterparts and markets in other countries. Both those projects had already been formulated and approved by UNIDO, but due to lack of funding had not yet been implemented.

39. In view of his Government's enhanced regional orientation, he wished to support the proposal to establish an international centre for sustainable industrial development in Slovenia, which would complement UNIDO's strategy for solving problems faced by transition economies in relation to sustainable industrial development, and might also be useful in solving the problems of developing countries.

40. **Mr. MOWOE** (Nigeria) said that the Annual Report for 1999 showed that the Organization's reforms had started to yield fruit. However, many problems remained, the most serious of which was the lack of adequate financial resources to implement the integrated programmes. UNIDO could play a key role in promoting industrial development in the developing countries provided it was helped by Member States to implement integrated programmes. He strongly urged Member States, according to their ability, to provide UNIDO with the necessary resources.

41. His delegation supported the new methods of funds mobilization and agreed that beneficiary countries had a joint responsibility with the Organization to mobilize funds. However, consultations should be continued to ensure that the responsibility was equitably shared. There was merit in the view that donor countries should be contacted at the early stages of the preparation of integrated programmes to maximize the chances of securing adequate funding. Every effort should be made to reverse the decline of voluntary contributions to the Industrial Development Fund, and his delegation would support any measure that would enable the Organization to acquire predictable and assured financial resources.

42. His delegation was seriously concerned that the collection of assessed contributions was still declining. His delegation strongly urged all Member States to pay their contributions in full and on time. The Nigerian Government had approved the immediate payment of about half of its total outstanding contributions, the balance of which would be paid within the next few months.

43. Nigeria and UNIDO had completed the formulation of the Integrated Programme for Nigeria, and efforts to establish a trust fund to implement it were at an advanced stage. He was proud to report that Nigeria was currently celebrating the first anniversary of its return to democracy. The Nigerian Government was making every effort to install a climate conducive to economic growth and development, one of the most important requirements for democracy. Defective infrastructures were being upgraded; appropriate macroeconomic policies were being implemented; and privatization was being vigorously pursued. Those well-focused efforts deserved the full support of the international community. The Government welcomed the integrated programme and hoped that the trust fund for its implementation would be successfully established. His Government was committed to making the necessary funds available for the programme.

44. The Government and people of Nigeria had greatly appreciated the Director-General's successful three-day visit to Nigeria in April 2000, which had reinforced the relationship between Nigeria and UNIDO and increased the interest of Nigerians in UNIDO activities. He welcomed the establishment in Lagos of the Regional Industrial Development Centre during the Director-General's visit, just when Nigeria's new industrial

blueprint had been approved by the Government. The Centre would bring UNIDO closer to the people of the entire West African subregion. The Nigerian Government would continue to provide maximum support to enable the Centre to attain its objectives.

45. Nigeria was facing formidable challenges in its efforts to industrialize its economy, enhance economic growth, raise living standards, provide employment and alleviate poverty, but was making steady progress. His delegation appreciated the role played by UNIDO in the Alliance for Africa's Industrialization, the Second Industrial Development Decade for Africa and the Conference of African Ministers of Industry. It would continue to rely on the expertise of UNIDO in its efforts to achieve coordinated industrial development.

46. **Mr. REGUIEG** (Algeria) said that his delegation welcomed the more user-friendly format of the 1999 Annual Report, which met the often-expressed desires of Member States.

47. Regarding the financial situation of UNIDO (agenda item 5), he noted that the Organization had unfortunately not yet received all the financial resources necessary to allow the Secretariat to discharge its mandate properly. Fortunately UNIDO was not facing a financial crisis, but Member States should be concerned at the inadequacy of the resources available for the Organization's tasks, especially in view of their expressed support for the reform programme. His delegation therefore strongly urged those Member States that had not yet done so to meet their financial commitments to UNIDO as soon as possible. Algeria would shortly be paying its own assessment for the year 2000.

48. With regard to the financing and implementation of the integrated technical cooperation programmes, his delegation appreciated efforts made by the Secretariat in drawing up such programmes, which had now become UNIDO's principal method of carrying out technical cooperation activities. While his delegation was satisfied with that approach, it was concerned at the lack of funds necessary for implementation. Only a small percentage of the funds needed were available, and it was essential that more efforts should be deployed to mobilize the resources required. His delegation considered that the donor countries had a particular responsibility in that regard because, without the necessary resources, everything that had been accomplished would be in vain and the whole process would have to be restarted. That would be regrettable both for the developing countries and for UNIDO. Some of the statements made so far in the debate, however, encouraged him to hope that Member States would rally to UNIDO's support.

49. His country, together with UNIDO, had formulated an integrated programme for an amount of nearly $12 million, which it was prepared to finance to the tune of 25 per cent. It was seeking potential donors in close coordination with the Secretariat.

50. **Mr. CHAICHITS** (Belarus) said that his country had always been a champion of UNIDO and had supported its reform process. In 1999 it had paid substantial arrears to the Organization, despite its difficult economic and financial problems which were compounded by the costs of minimizing the consequences of the Chernobyl accident. Belarus was doing its utmost to regularize its arrears situation, which was aggravated by the fact that its assessment did not correspond to its real capacity to pay.

51. Turning to the 1999 Annual Report, he noted the Secretariat's progress in mobilizing funds for technical cooperation activities, and the first results of the integrated programmes. However, it was premature to claim that UNIDO had achieved qualitative reforms in technical cooperation matters, since in the Secretariat's activities theory often prevailed over practice.

52. Because of the difficulty of funding large-scale integrated programmes, Belarus had preferred to concentrate its attention initially on a project to establish the infrastructure necessary to support innovative enterprises in Belarus, a project which met all the requirements of an integrated approach. Depending on the results achieved, the programme would be expanded by the inclusion of further components. The Government of Belarus had earmarked funding in its budget for 2000 for the implementation of that project. However, the Secretariat had not yet given its approval to the project. Belarus regarded technical cooperation as a priority area of UNIDO's activities and hoped that the Secretariat would improve its decision-making processes. For its part, Belarus was prepared to offer its support to strengthen the Organization's potential.

53. The level of cooperation so far achieved between UNIDO and Eastern Europe and the newly independent States of the former Soviet Union (NIS) was unsatisfactory. The Secretariat should devote greater attention to the practical implementation of General Conference resolution GC.8/Res.6. The specifics of the situation in the region should be taken into account. Countries with economies in transition had a fairly stable industrial base and, with UNIDO assistance towards modernizing and developing it, they could move from the category of recipients of technical assistance to that of donors, which would undoubtedly further the progress of the Organization itself. Visits by UNIDO management to countries in the region would make a real contribution towards revitalizing cooperation in that area. His delegation thanked the Director-General for agreeing to visit Belarus and had high hopes of that visit. It hoped the dates for the visit could be finalized shortly and expected that it would then be possible to clarify cooperation with UNIDO, resolve specific problems and give fresh impetus to the cooperation of Belarus with the Organization.

ADMINISTRATIVE MATTERS (IDB.22/6 and Add.1)

Activities of the Joint Inspection Unit

54. **Mr. KUYAMA** (United Nations Joint Inspection Unit (JIU)) said he was pleased to note that UNIDO had welcomed the JIU review of the Administrative Committee on Coordination (ACC) and its machinery (JIU/REP/99/1) and its report on results-based budgeting (JIU/REP/99/3). He was also pleased to note that UNIDO had agreed with all recommendations contained in the JIU report on private sector involvement and cooperation with the United Nations system (JIU/REP/99/6) and had in fact already complied with many of them. In that connection, he said that it might be useful if, as a general principle, the status reports on the implementation of the JIU recommendations were submitted regularly to the Board. Finally, he noted with pleasure that UNIDO had also welcomed the JIU report on policies and practices in the use of the services of private management consulting firms in the organizations of the United Nations system (JIU/REP/99/7), and said that UNIDO's comments contained in paragraph 8 of document IDB.22/6/Add.1 had been duly noted.

55. Turning to section II of document IDB.22/6, entitled "Note submitted by the Joint Inspection Unit to UNIDO", he said that the Unit had proposed a system for the follow-up of JIU reports and had prepared notes on the handling of JIU reports with a view to improving current practices. Section II of document IDB.22/6 should be read in that light. JIU was basically appreciative of the way its reports were presented to the Board in the document, but believed that there were still some aspects relating to the procedures of handling or following up JIU reports which required a clearer understanding between the UNIDO Secretariat and JIU. In that connection, a constructive dialogue had begun with officials of the UNIDO Secretariat with the aim of arriving at an agreement. Accordingly, the Board might wish to take note of section II of document IDB.22/6 and, at the same time, take a decision encouraging the UNIDO Secretariat and JIU to continue their dialogue with a view to developing clear procedures for the future handling of JIU reports and to report back on them to the Board in due course. Similar dialogues were being held with a number of other organizations, including the World Health Organization (WHO), the Food and Agriculture Organization of the United Nations and the World Food Programme (WFP). In the case of WHO, agreed procedures had been endorsed by its Executive Board on 22 May 2000, and the Executive Board of the WFP took a decision on 18 May 2000 encouraging the dialogue and report-back procedure. It was JIU's sincere hope that the Industrial Development Board would take a similar decision.

ANNUAL REPORT OF THE DIRECTOR-GENERAL ON THE ACTIVITIES OF THE ORGANIZATION IN 1999 (*continued*) (IDB.22/2 and Corr.1 and Add.1)

56. **Ms. PELLICER SILVA** (Mexico) said that the Annual Report showed how UNIDO had successfully passed through a difficult stage of its organizational transformation and was moving swiftly towards new horizons. However, the situation was not at all encouraging from the financial point of view. UNIDO was at the bottom of the list of the organizations of the United Nations family in terms of the proportion of Member States in arrears of contributions. By the end of the first quarter of 2000 only 28 Member States had paid their contributions in full for the year, and 10 had done so in part, including Mexico. Those payments represented only 35.9 per cent of the money that was due, and for the first time donor countries were owing more than $30 million. One of the ways of assessing the commitment of a Member State to an organization was whether it paid its assessed contributions on time and in full. At the end of each year Mexico fulfilled its financial commitments to international organizations; it hoped that the current trend of increasing arrears in UNIDO would be reversed, and that all those Member States which had subscribed with such enthusiasm to UNIDO's reforms would demonstrate their support by making sure that they fulfilled their principal obligation.

57. Regarding the financing and implementation of integrated programmes, the new integrated programmes approach had led to a real increase in implementation of technical cooperation, and had halted the declining trend of the past ten years. However, there were two major risks involved in the new approach. One was the limited resources of the Secretariat, jeopardizing its capacity to continue to initiate projects at the same time as implementing and supervising those which had already been approved. The second risk was of a lack of balance between the expectations created by integrated programmes and their real and effective implementation, specifically their financing. There had been a more rapid growth in the financing required for implementation of the integrated programmes than in the amounts available. Only 14 per cent of the total resources needed were available. It was a very real problem to which a solution had to be found. Every year UNIDO required a minimum level of predictable and programmable cooperation, which meant optimizing the delivery of integrated programmes, better organization of the work of the Secretariat and of the recipient countries, and especially a balance in the allocation of available resources among all the programmes thematically and regionally. The examples of Denmark and the United Kingdom, which donated

resources with no strings attached, should become the rule rather than the exception. The financing of components of a programme tended to fragment them to the point where they lost their integrated character and their impact was reduced considerably.

58. Mexico was very interested in increasing its cooperation with UNIDO. It was both a donor and a recipient of cooperation, and had tremendous potential to increase its links with the Organization. Mexico was very keen to share its experience and know-how with less developed countries, and to make its experts and specialists in various sectors available for projects being implemented in Latin America, and especially Central America and the Caribbean.

59. **Mr. AREVALO YEPES** (Colombia) said that the dynamic which had been given to UNIDO in the past two years as a result of the Director-General's visionary leadership had enabled the Organization, with the support of all Member States, to overcome the deep crisis confronting it and turned it into a model organization of the United Nations system. Colombia agreed with the Director-General that it was time to pause and to reflect on the direction the Organization should take, and particularly to identify its most pressing challenges. Colombia fully supported the process of decentralization of UNIDO, which would bring it closer to local realities and allow the use of local human resources. The private sector should play an increasingly important role in technical cooperation. The formulation and delivery of integrated programmes should act as a stimulus for Member States to make the effort to fulfil their obligations in terms of assessed contributions to the regular budget and in terms of the need for a significant increase in voluntary contributions by donor countries, which was the area where UNIDO's credibility was really at stake.

60. During his recent visit to Colombia, the Director-General had signed two important agreements. The first was for the setting up of a UNIDO regional office in Bogota, and the second for an integrated programme for the development of competitive industries which were able to integrate with local and international markets.

61. **Mr. ZORILLA ALVAREZ** (Spain) welcomed UNIDO's efforts to make its instruments more flexible and appropriate to the new era of globalization. He announced that a framework agreement would shortly be signed between the Spanish Agency for International Cooperation and UNIDO which would cover all projects of common interest such as technology research, the training of junior officers and fellowships to enable people from developing countries to improve their knowledge in such strategic areas as industrial statistics. Spain might also participate in financing certain integrated development programmes.

62. **Mr. HABIB** (Observer for Lebanon) commended the Director-General for his efforts to reform UNIDO despite the Organization's difficult financial circumstances, and urged those Member States which had lost confidence to reconsider how they might help UNIDO to succeed in its mission. He expressed concern regarding the Organization's serious financial situation in terms of non-payment of arrears of contributions. While noting the difficult financial situation of many developing countries, he urged Member States to pay their assessed contributions in full and on time in order to ensure that UNIDO had the means available to carry out its mission.

63. Noting the accomplishments of UNIDO's integrated technical cooperation programmes, he encouraged the Secretariat to respond favourably to approaches by Member States wishing to take advantage of UNIDO's experience in technical cooperation, and to work to develop appropriate programmes. At the same time, the Secretariat should seek to mobilize the necessary financial resources, and should call on beneficiary countries to assist by identifying possible sources of finance. The gap between developed and developing countries was widening, and industrial development was of the greatest importance as an effective means of alleviating poverty. Lebanon was very satisfied with UNIDO's new strategy towards the Arab States based on an analysis of their common difficulties, and believed that it would be possible to find a general solution. Lebanon expressed continued confidence in UNIDO.

64. **Mr. POOLOKASINGHAM** (Sri Lanka) commended the Director-General for his tireless efforts to consolidate the work of the Organization. He said that Sri Lanka's Ministry of Industrial Development, together with UNIDO and the Japanese International Cooperation Agency (JICA) had prepared an industrial master plan for a ten-year period beginning in 2000 and to be implemented in two stages, 2000-2004 and 2005-2010. The first period would concentrate on consolidating the foundation for industrial development, while the second would see acceleration of growth. In addition to charting development strategies for the entire manufacturing sector, the master plan also contained development plans for several industrial subsectors. It represented a unique demonstration of a multinational agency cooperating with a bilateral agency at the technical level.

65. Sri Lanka was concerned about UNIDO's financial situation, and wished to urge Member States and donor countries to fulfil their commitments to the Organization. Despite its present difficulties, the Government of Sri Lanka had that very day paid its annual contributions in full. Sri Lanka wished to urge the Secretariat to play an active role in establishing a dialogue between Member States, donor countries and multilateral donor agencies to increase the six per cent allocation of the regular budget to technical cooperation activities.

66. UNIDO's integrated programmes were formulated with the participation of the Member States, and were of

high quality. Although there were financial constraints on the implementation of approved integrated programmes, the Director-General should be supported in his efforts to formulate more programmes in the current year because it would be an incentive for the Governments of countries in transition to direct their economies along the path of development.

67. **Mr. SAHINBAS** (Turkey) said that 1999 marked a turning point in UNIDO's history with the successful completion of its transformation and fundamental changes in the way it worked. A strict distribution of work by division or branch had given way to interdisciplinary, cross-organizational teamwork involving not only Headquarters staff but also those posted to field offices. Greater emphasis on cooperation and collaboration had considerably improved UNIDO's organizational structure, leading to greater efficiency and synergy. The Director-General and his staff were to be congratulated for transforming UNIDO so swiftly into a more modern, flexible and decentralized organization, which was an outstanding example of reform in the United Nations system.

68. Sustainable industrialization was essential if developing countries and countries with economies in transition were to benefit from globalization by building competitive economies, creating employment and ensuring a clean environment. While some developing countries had made remarkable progress in that direction, many more, particularly those in Africa, were finding themselves further marginalized. Turkey was pleased to note that priority had been given to programmes and projects developed within the packages of integrated UNIDO services and under the service modules, and welcomed the major development of 1999 which consisted in the effective start of mobilization of funds for the integrated programmes.

69. Turkey attached great importance to investment and technology promotion activities and to implementation of the Kyoto Protocol, which had recently been given increasing importance by UNIDO. Every effort would be made to revitalize the Investment Promotion Service Office in Istanbul, incorporating technology promotion activities in its functions. Turkey highly appreciated UNIDO's intensified efforts to implement the Kyoto Protocol and promote relations with the Global Environment Facility. Turkey had considerable experience in helping the developing countries, and particularly the newly independent States, in investment and technology promotion as well as environment-friendly production methods and development mechanisms. Those areas would be given due importance with the activation of the UNIDO Regional Cooperation Centre in Ankara.

70. Globalization and decentralization were complementary concepts. Decentralization was one of the most efficient methods for increasing the performance of UNIDO, and Turkey supported the Director-General's policy of encouraging the strengthening of field representation on the condition that the host country offered financial or in-kind contributions. The Government of Turkey was covering the current expenditure of the UNIDO Regional Cooperation Centre in Ankara, and through it was financing projects for the benefit of the countries of the region. Turkey believed that UNIDO's expertise would encourage donors to provide funds to the Centre for project implementation.

71. Turkey was now an emerging donor, and had no arrears of contributions to the UNIDO regular budget. It hoped that the present positive atmosphere would lead to more countries fulfilling their financial obligations and making voluntary contributions.

72. Turkey was pleased to note that efforts were being made by UNIDO to improve the representation of women in the Secretariat. However, the current gender balance was far from satisfactory, especially at the decision-making level, and more efforts were needed to achieve gender parity.

73. **Mr. KATZARSKI** (Bulgaria), commending the format, transparency, strategic focus and clarity of priorities of the Annual Report, welcomed the growing partnership between UNIDO and other international organizations, particularly within the United Nations system, which was reflected in an increased number of joint activities. The Director-General's efforts to build closer relations could provide a more effective way for UNIDO fully to utilize industrialization resources and safeguard its role as the lead agency at country level.

74. UNIDO's budgeting process was on the right track, and could provide a useful model for other international organizations. Unfortunately, though, the financial problems of Member States were a predominant concern. The Organization needed a system of resource mobilization that would make it easier to plan on a more predictable long-term basis. The strategy for resource mobilization should be transparent, well planned and flexible, and Bulgaria welcomed the development of alternative ideas for providing UNIDO with more funding. The crucial point, however, was not the level of funding but performance: when UNIDO was seen to be improving its performance, decision makers would be encouraged to increase contributions both to the regular budget and to extrabudgetary funds.

75. The issue of the budget level raised some conceptual questions, such as how countries were to be selected to benefit from technical cooperation, how many programmes were to be developed, what would be the impact on programme activities if funding targets were not reached, and in that event what criteria would be used to adjust programme implementation in the course of the year. Bulgaria welcomed the use of key indicators for measuring achievements, and called for them to be

developed further to reflect changes in the work methodology and their impact on the portfolio of programmes.

76. The countries of Eastern Europe and the newly independent States faced difficulties in increasing foreign capital inflows to industrial sectors, and were hampered by narrowing markets for locally manufactured goods and low utilization of installed production capacity. Bulgaria fully endorsed calls for a special approach to technical cooperation with countries with economies in transition, whose particular needs could be better taken into account in UNIDO policies, programmes and initiatives. Bulgaria appreciated the preparations being made for a regional forum under the joint sponsorship of UNIDO and the Hungarian Ministry of Economic Affairs, which could promote industrial cooperation and partnership within the context of increasing globalization, and was prepared to work with UNIDO, UNDP and potential donors in formulating and developing an integrated programme reflecting national priorities and aspirations.

77. **Mr. HASSAN** (Sudan), welcoming the Annual Report, said that the status of implementation of integrated programmes made gloomy reading, since funding remained a major problem. The Board, at its current session, must find appropriate solutions. It must ensure the provision of adequate financial resources to allow UNIDO programmes to be implemented. The least developed countries had contributed to the integrated programmes from their own meagre resources, which were badly needed for priority programmes in various development sectors. They had allocated the money because they had great expectations of industrial development resulting from the integrated programmes and had great trust in the international community. The Sudan hoped that the Board would find solutions which would enable the representatives of the developing countries, and especially the least developed countries, to report to their Governments that their peoples had not been let down, and that the efforts they had made in preparing the integrated programmes and allocating resources in cooperation with UNIDO were not wasted.

78. **Mr. UMER** (Pakistan) said that assessed contributions were mandatory payments required by UNIDO's Constitution, and the non-payment of dues was absolutely indefensible. There was a worrying attempt to link the payment of dues with contributions to the IDF and contributions for the implementation of integrated programmes. The issues were separate, and had to be dealt with separately and on their merits. If a country did not pay its dues in full and on time for two years the penalty was that it lost its voting right. The linkage between the payment of dues and the implementation of integrated programmes was misplaced and should be avoided.

79. There were approximately 100 developing countries which were Member States of UNIDO, yet only 40 or so benefited from integrated programmes. The average size of each programme was between $5 million and $7 million over a period of five years. That could not be described as excessive by any standards for a global international organization with a global mandate. The important aspect, however, was the level of funding. At the present rate of progress it would take the better part of the century to implement the programmes in their entirety.

80. Some speakers had emphasized that UNIDO must demonstrate some success stories, and it was suggested that programmes should be of quality, with indicators determining their quality, funds being set aside for project evaluation, and a conference being held to determine the impact of the programmes. Those were useful ideas, but evaluation should follow, not precede, implementation, and implementation had barely begun. Furthermore, there was no point in evaluating individual elements of integrated programmes.

81. The expectation had been that after all the reforms it had undertaken UNIDO would now be able to function with sufficient resources to carry out its tasks in its agreed area of activities. However, that was not the case. If the maximum resources that UNIDO could muster for its integrated programmes were about 15 per cent of what it required, UNIDO ceased to be a credible organization. Practical and realistic solutions had to be devised, through the triangular dialogue between the developed countries, the developing countries and the Director-General, to reach a consensus on how to handle the situation so that the Member States did not lose interest in UNIDO and abandon hope in its future.

82. **Mr. KROLL** (Austria) announced that his country would be making an untied, freely programmable, voluntary contribution to UNIDO's integrated country programmes in the amount of 1 million euros. In addition, Austria would continue to finance specific components of the integrated programmes, making available approximately 2 million euros during the current year.

83. **Mr. MAGARIÑOS** (Director-General) said that it was very important to begin to think how to organize an interactive, transparent and open discussion about the direction the Organization should take now that its reform programme had been completed. He agreed that it was important to establish key criteria. The success of the reform process should certainly not be measured by the number of integrated programmes, which was no yardstick. It was extremely important to ensure the sustainability of what had been started over the past two years in the area of technical cooperation, and to make sure that the programmes were delivered in their entirety. It was very difficult to allot scarce resources, but an effort had been made to do so in as transparent a manner as possible. A great deal had been achieved in the past two years, but it had not been possible to do everything and a number of problems remained. The goodwill displayed in the past two years should be maintained, and if Board

members continued to participate and offer guidance in an honest and transparent manner relevant solutions would be found.

54. He thanked the representative of Austria for his announcement of what would undoubtedly prove to be a very helpful contribution to UNIDO's work.

The meeting rose at 6.10 p.m.